International Business Environments and Operations, 13/e

Part Five

Global Strategy, Structure, and Implementation



Chapter 11

The Strategy of International Business

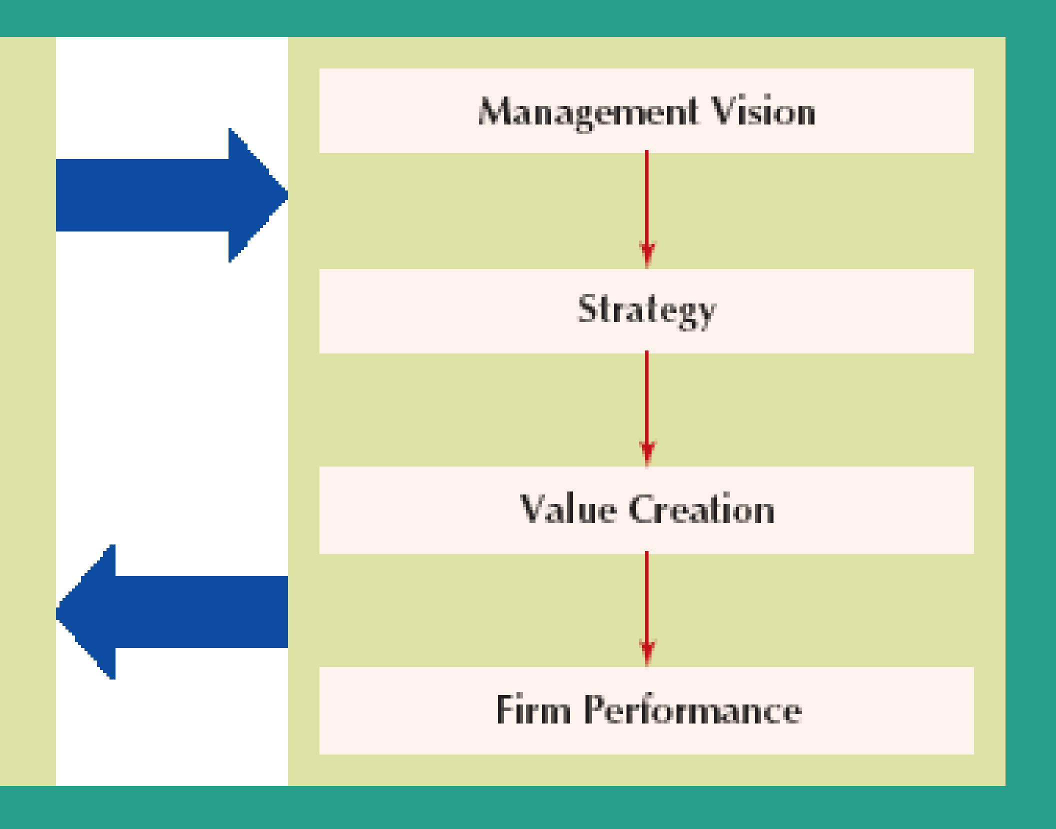
Chapter Objectives

- To identify how managers develop strategy
- To examine industry structure, firm strategy, and value creation
- To profile the features and functions of the value chain framework
- To assess how managers configure and coordinate a value chain
- To explain global integration and local responsiveness
- To profile the types of strategies firms use in international business

The Role of Strategy in International Business

External Influences

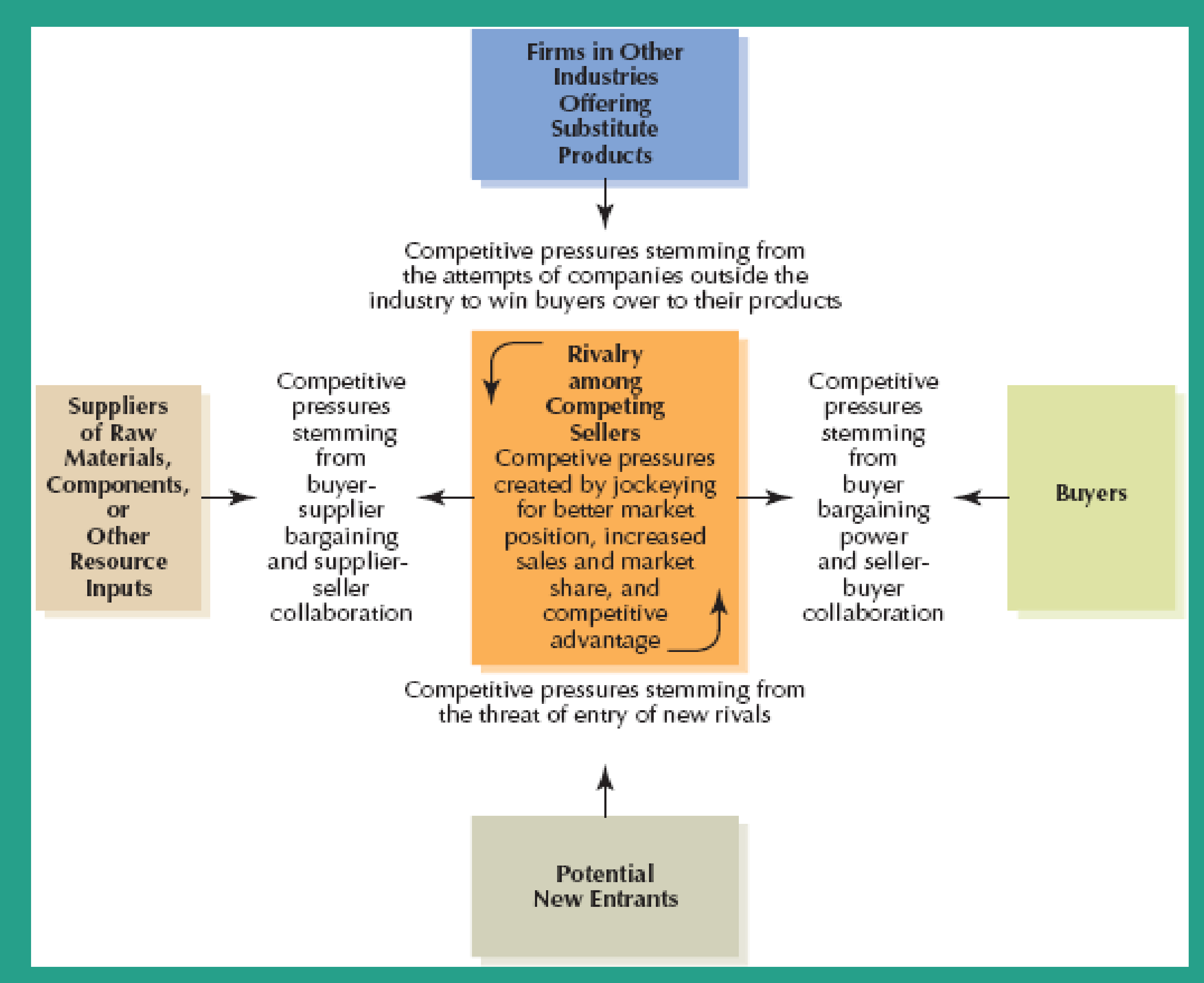
- Industry structure and drivers
- Competitive dynamics
- Economic conditions
- Political, legal, and regulatory environment
- Technology standards and trends
- Cultural orientations
- Customer expectations



Industry, Strategy ,and Firm Performance

- Industry organization paradigm leading strategy perspectives
- The exceptions of imperfect competition
- The idea of industry structure: The Five Forces Model

Five Forces Model



Industry Change

Industry structure changes because of events like

- Competitors’ moves
- Government policies
- Changes in economics
- Shifting buyer preferences
- Technological developments
- Rate of market growth

Strategy and Value

- Strategy helps managers assess the company's present situation, identify the direction the company should go, and determine how the company will get there.
- Creating Value
  - Cost Leadership
  - Differentiation

The Firm as Value Chain

- What is the value chain?
- Using the value chain
  - Configuration
  - Macro Cost Factors
  - Cluster Effects
  - Logistics
  - Digitization
  - Economies of Scale
  - Business Environment

Coordination

- Coordination Concerns
- National Cultures
- Learning Curve
- Operational Obstacles
- Subsidiary Networks

Change and the Value Chain

- The configuration and coordination of value chains respond to changes in customers, competitors, industries, and environments.

- Caveat: The Risk of Strategy

Global Integration versus Local Responsiveness

- Pressures for Global Integration
  - Globalization of Markets
  - Efficiency Gains of Standardization
- Pressures for Local Responsiveness
  - Consumer Divergence
  - Host Government Policies

When Pressures Interact

The Integration-Responsiveness grid helps managers measure the global and local pressures that influence the configuration and coordination of their value chains.

Integration Responsiveness Grid

Industry Pressure for Global Integration	Low: Adaptation and decentralization are unnecessary to sell generic products to similar markets	High: Adaptation and decentralization are needed to sell customized products to differing markets
High Standardization and central control are imperative across international operations	Civil Aircraft Semiconductors Bulk Chemicals Institutional Banking Automobiles	Consumer Electronics Corporate Banking Electronic Commerce Paint and Pigments Automobiles
Low Standardization and central control are useful but not necessary across international operations	Goods or services that an opportunistic company sells to foreign customers	Couture Apparel Health Care Accounting Processed Food Retail Banking

Industry Pressure for Local Responsiveness

Types of Strategy

Pressure for Global Integration (vertical axis: High / Low) vs. Pressure for National Responsiveness (horizontal axis: Low / High)

	Low	High
High	GLOBAL Views the world as a single market. Tightly controls global operations from headquarters to preserve focus on standardization.	TRANSNATIONAL Prefers a flexible value chain to facilitate local responsiveness. Adopts complex coordination mechanisms to facilitate global integration.
Low	INTERNATIONAL Uses existing core competence to exploit opportunities in foreign markets.	MULTIDOMESTIC Relies on foreign subsidiaries operating as autonomous units to customize products and processes for local markets.

Future: What's New in the World of Strategy Types

- Evolution of the Multinational Corporation
- Visions of the Future
- The "Metanational" Company
- "Micro-Nationals"
- The "Cybercorp"